

Message Text

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PAGE 01 STATE 089487

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ORIGIN EB-07

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FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA

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E.O. 11652, N/A

TAGS: EAIR, ID

SUBJECT: CIVAIR: NEGOTIATIONS

REF: JAKARTA 4080

1. AFTER CAREFUL REVIEW OF SALIM MARCH 25 LETTER AND ECONOMIC CONSEQUENCES OF PROPOSAL CONTAINED THEREIN, DEPT REQUESTS AMBASSADOR PRESENT LETTER TO SALIM OUTLINING A POSSIBLE INTERIM ARRANGEMENT CONCERNING FREQUENCIES TO BE OPERATED BY RESPECTIVE US AND INDONESIAN AIRLINES BETWEEN THE TWO COUNTRIES. IF ACCEPTABLE, APPROPRIATE STEPS COULD BE TAKEN THROUGH DIPLOMATIC CHANNELS TO FORMALIZE THE ARRANGEMENT. TEXT OF LETTER IS AS FOLLOWS:

2. "I REFER TO YOUR LETTER OF MARCH 25 OUTLINING

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PAGE 02 STATE 089487

INDONESIA'S LATEST PROPOSAL CONCERNING CERTAIN QUESTIONS

RELATED TO THE INDONESIA-U.S. AIR TRANSPORT AGREEMENT.

3. "THE UNITED STATES IS AWARE OF THE DIFFICULTIES THAT INDONESIA FACES AS A DEVELOPING COUNTRY. THE DEVELOPMENT OF ITS NATIONAL AIRLINE IS AN IMPORTANT PART OF INDONESIA'S TOTAL ECONOMIC GROWTH. IN APPRECIATION OF INDONESIA'S ATTEMPT TO PROTECT THE AIRLINE THROUGH

THE REDUCTION OF THE FIFTH FREEDOM TRAFFIC RIGHTS IT GRANTS TO OTHER COUNTRIES BUT WITH DUE REGARD FOR ITS OWN OPERATING RESULTS, PAN AMERICAN HAS ALREADY AGREED TO CUT ITS PRESENT FLIGHTS WITH FIFTH FREEDOM TRAFFIC FROM 4 TO 2. THE U.S. AIRLINE IS NOW BEING ASKED TO CONSIDER OPERATING ONLY ONE FLIGHT WITH FIFTH FREEDOM TRAFFIC AND EVEN THAT ONE WOULD HAVE CERTAIN UNDEFINED CONDITIONS ATTACHED TO IT, IN ORDER TO COMPENSATE FOR WHAT INDONESIA CLAIMED TO BE AN IMBALANCE OF TRAFFIC RIGHTS.

4. "AFTER A CAREFUL REVIEW OF YOUR SUGGESTION, THE ECONOMIC FACTORS INVOLVED, AND THE ENTIRE BACKGROUND OF THIS CASE, THE UNITED STATES MAINTAINS THAT ITS PROPOSAL, WHICH FOLLOWS, IS THE SINE QUA NON FOR THE ECONOMIC VIABILITY OF THE U.S. AIRLINE'S OPERATION: TWO SAN FRANCISCO-HONOLULU-GUAM-JAKARTA FREQUENCIES AND TWO US-FIJI-NEW ZEALAND-AUSTRALIA-DENPASAR-HONG KONG FREQUENCIES (WITH FIFTH FREEDOM TRAFFIC RIGHTS). IN RETURN, THE USG WOULD BE PREPARED TO AUTHORIZE FOUR WEEKLY FREQUENCIES FOR GARUDA: INDONESIA-GUAM (TECHNICAL STOP)-HONOLULU-LOS ANGELES.

5. "IN ORDER TO DEMONSTRATE OUR REASONABLENESS AND WILLINGNESS TO MEET INDONESIAN INTERESTS AS WELL AS TO DEMONSTRATE ONCE AGAIN OUR REGARD FOR THE TRADITIONAL FRIENDSHIP EXISTING BETWEEN OUR TWO COUNTRIES, THE USG HAS REQUESTED THAT PAN AM TEMPORARILY SUSPEND ITS PROPOSAL FOR AN ALL-CARGO FLIGHT UNTIL SUCH TIME AS THE INDONESIAN AIRLINE CAN PROVIDE A RECIPROCAL SERVICE. AS A FURTHER EXPRESSION OF OUR DESIRE TO SUPPORT INDONESIAN DEVELOPMENT, PAN AMERICAN AIRWAYS WOULD FAVORABLY CONSIDER AN INDONESIAN REQUEST TO DISCUSS AN ASSISTANCE LIMITED OFFICIAL USE

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PAGE 03 STATE 089487

PROGRAM WHICH WOULD FACILITATE GARUDA'S ENTRY INTO THE U.S. MARKET.

6. "WE REMAIN PREPARED TO ENTER INTO AN INTERIM UNDERSTANDING ON THE FOREGOING BASIS.

7. "IN THE MEANTIME, UNDER THE TERMS OF THE BILATERAL AIR TRANSPORT AGREEMENT, AND PENDING NEGOTIATIONS OF THE

FOREGOING INTERIM UNDERSTANDING, THE USG CONTINUES TO EXPECT THAT INDONESIAN AUTHORITIES WILL NOT IMPOSE OBJECTIONS TO PAN AMERICAN'S SUMMER SCHEDULE PATTERN THAT WILL BEGIN APRIL 25, 1976, AS DESCRIBED IN ITS JANUARY 31, 1976 NOTIFICATION TO THE INDONESIAN AERONAUTICAL AUTHORITIES."

8. PAN AM BELIEVES INDONESIA'S PROPOSAL IS NOT ECONOMICALLY VIABLE. AT LEAST TWO FIFTH FREEDOM FREQUENCIES ARE ESSENTIAL TO MAINTAIN PROFITABLE LEVELS IN THE INDONESIA'S MARKET. IF INDONESIA TURNS DOWN U.S. OFFER, EMBASSY MAY INFORMALLY PROPOSE THAT PAN AM BE AUTHORIZED TO OPERATE TOTAL OF FOUR FLIGHTS, WITH TWO FLIGHTS USING FIFTH FREEDOM TRAFFIC RIGHTS, BUT THAT JAKARTA WOULD BE SUBSTITUTED FOR DENPASAR ON ONE OF THESE FIFTH FREEDOM FLIGHTS. IF INDONESIANS AGAIN REFUSE, THEN EMBASSY MAY INFORM THAT PAN AM WOULD HAVE NO ALTERNATIVE BUT TO OPERATE ONLY THREE WEEKLY FREQUENCIES AS FOLLOWS: TWO SAN FRANCISCO-HONOLULU-GUAM-JAKARTA FLIGHTS, AND ONE US-FIJI-NEW ZEALAND-AUSTRALIA-DENPASAR-HONG KONG. IF PAN AM WERE COMPELLED TO OPERATE ONLY THREE FLIGHTS, THE UNITED STATES AUTHORITIES WOULD HAVE TO REVIEW THE SITUATION WITH A VIEW TOWARD DETERMINING THE APPROPRIATE LEVEL OF FLIGHTS FOR THE INDONESIAN AIRLINE.

9. SALIM WOULD UNDERSTAND HIS REFUSAL TO ACCEPT EITHER OUR OFFER IN PARAGRAPHS 4 AND 5 OR OUR INFORMAL OFFER AS OUTLINES PARA 8 WOULD RESULT IN A NEGATIVE DECISION IN REGARD TO GARUDA'S APPLICATION FOR JAKARTA-GUAM-HONOLULU-LOS ANGELES ROUTE. KISSINGER

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